

APPROVED BY
the Extraordinary General Shareholders' Meeting of
the Magnitogorsk Iron and Steel Works Open Joint
Stock Company

_____ 2007
Minutes # _____

_____/V.F.Rashnikov /
Chairman of the Meeting

APPROVED BY
Decision of the Sole Shareholder of the
Closed Joint Stock Company MMK-
Kapital

_____ 2007

_____/S.V.Krivoschekov /
Shareholder's Representative

**AGREEMENT ON THE MERGER
of the Closed Joint Stock Company MMK-Kapital into the Magnitogorsk Iron and Steel Works
Open Joint Stock Company**

Magnitogorsk _____ 2007

The Closed Joint Stock Company MMK-Kapital registered in the Russian Federation at the address: Ul.Zaveniaguina 9, Magnitogorsk, 455049, Chelyabinsk Region, Russia (hereinafter, "the Merged Company"), in the person of its Director Anatoly Dmitrievich Yariomenko acting pursuant to the Charter, and

The Magnitogorsk Iron and Steel Works Open Joint Stock Company registered in the Russian Federation at the address: Ul.Kirova 93, Magnitogorsk, 455000, Chelyabinsk Region, Russia (hereinafter, "the Principal Company"), in the person of the President of the MMK Managing Company acting pursuant to the Charter of the MMK Managing Company , the Charter of OJSC MMK, and the Agreement on Transfer of the Authority of the OJSC MMK Individual Executive Body to the Managing Company, collectively referred to as "the Parties", and individually, as "the Party", have made this Agreement as follows:

1. SUBJECT OF THE AGREEMENT

1.1. Given the common goals set out in their respective Charters, and the activity object, and in order to achieve the best use of both Companies' assets, enhance their competitive position on the market, optimize management and reduce administrative costs in the interest of raising profitability, the Parties have agreed to effect reorganization in the form of a merger of the Merged Company into the Principal Company, with transfer of all the rights and obligations of the Merged Company to the Principal Company in accordance with a transfer certificate.

2. PROCEDURE AND CONDITIONS OF THE MERGER. ITS MAIN STAGES.

2.1. Adoption by the Board of Directors of the Principal Company of a resolution regarding convening an extraordinary general shareholders' meeting to decide the issue of reorganization in the form of a merger of the Merged Company into the Principal Company.

2.2. Inventory by the Merged Company of its assets and liabilities prior to the drafting of the transfer certificate.

2.3. Holding an extraordinary general shareholders' meeting of the Principal Company and adoption of a resolution by the sole shareholder of the Merged Company regarding the issue of reorganization in the form of a merger; approval by decision of the sole shareholder of the Merged Company of the transfer certificate with attachment of accounting statements as determined by the Federal Law "On Accounting" dated 21.11.1996, #129-FZ, inventories of assets and liabilities of the Merged Company confirming their authenticity (existence, status and valuation of assets and liabilities), source accounting documents

with respect to valuables (fixed assets' acceptance reports, invoices, inventories, etc), lists of other property subject to acceptance during re-organizations, detailed lists of payables and receivables with information on written notification, within the prescribed time frames, of the Merged Company's creditors and debtors regarding the transfer to the successor, from the moment of the organization's state registration, of assets and liabilities under relevant contracts.

Under a transfer certificate all the assets and liabilities of the Merged Company (other than future periods' expenses) shall be transferred to the Principal Company according to the valuation corresponding to the value of these assets and liabilities as recorded in the balance sheet of the Merged Company as on the date of making the transfer certificate, i.e., August 30, 2007.

In accordance with Article 17 of the Federal Law "On Joint Stock Companies" dated 26.12.1995 (# 208-FZ) the shares of the Principal Company owned by the Merged Company and recorded in the balance sheet of the Merged Company as of the date of making the transfer certificate, shall be cancelled not later than 10 days after making an entry in the Uniform State Register of Legal Entities (hereinafter, "the Register") regarding the termination of the Merged Company's activities. A report on the shares' cancellation shall be approved by the Board of Directors of the Principal Company.

2.4. Notification by the Parties of their respective tax authorities regarding the adopted resolutions on the Merger not later than 3 days from the date of such resolutions.

2.5. Receipt of a provisional authorization of the Federal Anti-Monopoly Service of Russia (hereinafter, "FAS") for the Merger in conformity with the Federal Law "On Protection of Competition".

2.6. Notification of the Parties' shareholders regarding their right to demand repurchase of their shares in connection with the Merger as provided for applicable laws. Such shares shall be repurchased by the Principal Company at a price established by the Board of Directors of the Principal Company, but not lower than the fair market value to be determined by an independent appraiser.

2.7. Notification of the Parties' creditors regarding the adopted resolutions on the Merger and publication in a bulletin intended for publication of data on state registration of legal entities, of a notification of the adopted resolution in accordance with Art.60 of the RF Civil Code.

2.8. Signing of the Merger Agreement approved by the general shareholders' meeting of the Principal Company and by decision of the sole shareholder of the Merged Company.

2.9. Review of claims presented by the Parties' creditors in respect of termination and/or early discharge of the Parties' obligations.

2.10. In case of the shareholders' demand for repurchase of their shares, holding a meeting of the Principal Company's Board of Directors to approve a report on the results of the shareholders' presentation of claims for repurchase of their shares.

2.11. Repurchase by the Parties of shares from their respective shareholders in connection with the Merger as provided for by applicable laws.

2.12. Settlement of the creditors' claims.

2.13. Establishing contractual relations with the Merged Company's employees in conformity with Art.75 of the RF Labour Code.

2.14. De-registration of the Merged Company with the tax authorities, funds, etc.

2.15. Preparation by the Merged Company of conclusive accounting reports as of the day preceding the day of making an entry in the Register regarding the termination of the company's activities. Such accounting reports shall be prepared in accordance with the Russian Federation law on accounting and in the scope represented by annual accounting forms earlier adopted by the Merged Company, for a period from the beginning of the accounting year until the day of the termination entry in the Register. In preparing the conclusive accounting reports the accounts of profits and losses shall be closed, and the net profit amounts shall be allocated to the Principal Company.

2.16. Submission by the Merged Company of documents for making an entry on termination of the Merged Company's activities to the respective authority in charge of state registration of legal entities.

2.17. Making an entry on termination of the Merged Company's activities.

2.18. Preparation by the Principal Company of accounting reports as of the date of making a termination entry in the Register in accordance with the provisions of the Order of the Ministry of Finances of the Russian Federation dated 20.05.2003 (#44n).

2.19. Notification to the FAS regarding completion of the merger.

2.20. Disclosure of information in the process of the merger in accordance with the provisions of the applicable RF laws.

2.21. If necessary, re-issue of licenses for various activities in conformity with the applicable laws of the Russian Federation.

2.22. The Parties shall also undertake to take other steps not provided for by this Agreement and necessary for performing the Merger in accordance with the applicable laws.

2.23. Subject to prior mutual agreement, the Parties shall be entitled to change the procedure and sequence of the main stages and certain actions pertaining to the Merger, and to perform other actions not provided for by this Agreement, if such changes or other actions are required for the Merger by the applicable laws or resolutions of competent government authorities.

2.24. The Parties shall be deemed re-organized and the Merger shall be deemed completed as from the moment of the body in charge of legal entities' registration making an entry regarding the termination of the Merged Company's activities (hereinafter, "the Merger Date").

2.25. As from the Merger Date:

2.25.1. The Merged Company shall terminate its activity which shall be evidenced by a relevant entry in the Register.

2.25.2. All the assets and liabilities of the Merged Company shall be transferred to the Principal Company in accordance with the Transfer Certificate and addenda thereto which shall also be the basis for the transfer to the Principal Company of all claims of the Merged Company.

2.25.3. Ordinary shares of the Merged Company owned by the Principal Company (with the exception of the Merged Company's shares repurchased from the shareholders and cancelled on repurchase pursuant to Art. 76 and 77 of the Federal Law "On Joint Stock Companies") shall be cancelled.

2.26. After the approval by the Principal Company's Board of Directors of the Report on the Shares' Cancellation the following amendments shall be incorporated in the Charter of the Principal Company:

- P. 4.1 of Art. 4 of the Principal Company's Charter shall be worded as follows:

"4.1 The authorised capital of the Company is 11,174,330,000 (eleven billion one hundred seventy four million three hundred thirty thousand) rubles."

- P. 4.2 of Art. 4 of the Principal Company's Charter shall be worded as follows:

"4.2 The authorized capital of the Company is comprised of the par value of 11,174,330,000 ordinary registered shares (eleven billion one hundred seventy four million three hundred thirty thousand) with a par value of 1 (one) ruble each."

- Subparagraph 1 of p.4.3 of Art.4 of the Principal Company's Charter shall be worded as follows:

" The number of the Company's placed shares is 11,174,330,000 ordinary registered shares (eleven billion one hundred seventy four million three hundred thirty thousand)."

2.27. Expenses connected with the re-organization and incurred from the date of the approval of the Transfer Certificate and up to the Merger Date, shall be recorded in the balance sheet of the Party bearing these expenses.

2.28. In preparing conclusive accounting reports the accounts of profits and losses shall be closed, and the net profit amounts shall be allocated for the uses determined by this Agreement.

2.29. Up to the Merger Date all financial and business operations of the Merged Company shall be recorded in the balance sheet of the Merged Company in conformity with the Methodological Instructions on Preparation of Accounting Reports during Re-Organization of Entities (Annex to the Order of the RF Ministry of Finances dated 20.05.2003, # 44n).

3. SUCCESSION

3.1. All assets and liabilities of the Merged Company shall be deemed transferred to the Principal Company in accordance with the Transfer Certificate and addenda thereto pursuant to Article 59 of the RF Civil Code. As from the Merger Date all rights and obligations of the Merged Company shall be transferred to the Principal Company in accordance with the transfer certificate.

3.2. Until the Merger Date either of the Parties shall continue to own, use, exercise, dispose of and control its assets, rights and obligations subject to the provisions of the current legislation and this Agreement.

3.3. In the event that the assets and/or liabilities of the Merged Company increase or decrease in the period between the date of preparation of the balance sheet attached to the Transfer Certificate, and the Merger Date, these changes in the value of the transferred assets and liabilities shall be disclosed in an explanatory note to the conclusive accounting reports or in addenda to the transfer certificate. The conclusive accounting reports shall be prepared in the scope represented by annual accounting reporting forms and inventory sheets prepared as of the Merger Date.

3.4. The Parties agree that the assets of either Party can be decreased prior to the Merger Date as a result of satisfaction by such Party of its shareholders' claims for repurchase of shares in conformity with the current legislation, and claims of its creditors, as well as other changes in the composition of the transferred assets, subject to acceptability of such changes and agreement of the Parties. Either Party shall undertake, on a regular basis, to inform the other Party of the scope of claims made by such Party's shareholders and creditors in the process of the Merger.

4. VALIDITY OF THE AGREEMENT

4.1. This Agreement shall come into effect after its approval by the general shareholders' meeting of the Principal Company and the decision of the sole shareholder of the Merged Company.

4.2. This Agreement shall be terminated in the following cases:

- in case of FAS's refusal to issue provisional authorization for the Merger, if the circumstances which caused the refusal, cannot be remedied;
- in other cases as provided for by the applicable laws of the Russian Federation.

4.3. This Agreement is made in 4 (four) copies, with two copies for each of the Parties, each copy being equally valid.

5. DISPUTE SETTLEMENT

5.1. All disputes and differences arising out of this Agreement, shall be settled by the Parties by way of negotiations.

5.2. If the Parties are unable to reach agreement in respect of any dispute by way of negotiations, such a dispute shall be subject to settlement in court in accordance with the Russian Federation laws.

5.3. This Agreement shall be governed by the Russian Federation law.

6. DETAILS OF THE PARTIES

Closed Joint Stock Company MMK-Kapital (ZAO MMK-Kapital):

Address: Ul. Zaveniagina 9, Magnitogorsk, 455049, Chelyabinsk Region

Main state registration number: 1077445002084

Legal entity state registration certificate dated June 13, 2007, series 74 # 004494519

INN 7445034840, KPP 744501001,

A/c # 40702810211390004132 with the Pravoberezhny Branch of OAO Ursa Bank, Magnitogorsk, BIK 047501802, INN 5408117935, corr.acc: # 30101810500000000802.

Telephone fax: 25-60-06, 24-79-37/25-60-08, 24-78-51.

Magnitogorsk Iron and Steel Works Open Joint Stock Company (OJSC MMK):

Address: Ul.Kirova 93, Magnitogorsk, 455000, Chelyabinsk Region

Main state registration number: 1027402166835

Certificate of Entry in the Uniform Register of Legal Entities State Registration dated Aug.12, 2002, series 74 # 000603904

INN 7414003633, KPP 741450001

40702810400000100009 with OJSC Kredit Ural Bank, Magnitogorsk, BIK 047516949, INN 7414003633, corr.acc. with RKZ, Magnitogorsk # 30101810700000000949.

Telephone /fax: 8 (3519) 24-72-92, 24-73-09 (fax)

SIGNATUES OF THE PARTIES:

**Principal Company:
OJSC MMK**

**Merged Company:
ZAO MMK-KAPITAL**

V.F.Rashnikov,
President, OOO MMK Managing Company

A.D.Yariomenko
Director, ZAO MMK-KAPITAL